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SUBJECT: ETHIOPIA: WTO ACCESSION MOVES FORWARD WITH MFTR
SUBMISSION

11. (SBU) Summary: The GOE's December 22 submission of the Memorandum of Foreign Trade Regime (MFTR) to the WTO Secretariat ends a two-year delay in Ethiopia's WTO accession

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process. News accounts of the political debate prior to the memorandum's approval by the Council of Ministers suggest that Trade Minister Girma has become a champion of WTO accession and trade liberalization generally, but faces continued ideological opposition from others within the ruling party. Comment: Ethiopia's accession process presents an opportunity for the USG to engage the GOE on a broad agenda of economic reform within the structured forum that the WTO engenders. This same opportunity for dialogue on reform constitutes the greatest incentive for local private sector leaders, many of whom are otherwise ambivalent about further opening Ethiopia's economy. USAID technical assistance in the research and drafting significantly improved and expedited Ethiopia's MFTR; continued assistance from donors, including USAID, will be helpful in overcoming obstacles to Working Party discussions expected to begin by mid- to late-2007. End Comment.

MFTR SPARKS DEBATE, CREATES A WTO CHAMPION

13. (SBU) The issue of Ethiopia's membership in the WTO has sparked two years of debate among ruling party leaders, and occasionally other stakeholders, on the merits of further opening Ethiopia's economy to foreign investment and lowering customs and duty tariffs. A technical committee of 15 officials drawn from various GOE ministries first delivered a draft of the MFTR in October 2004 to the Council of Ministers. The Council kept the draft under review in the ensuing months but offered little information to the public concerning its status. USG officials periodically raised the issue with GOE interlocutors and received vague replies.

14. (SBU) In mid-2006, local economic newspapers and contacts within the Ministry of Trade and Industry (MOTI) suggested that MOTI Minister Girma Birru was strongly advocating approval of the MFTR within senior GOE circles. In November 2006, a newspaper account recounted an vigorous debate within the Council of Ministers concerning the submission of the MFTR in which Prime Minister Meles himself asked whether WTO accession would force Ethiopia to open up its financial sector to foreign investment. Minister Girma Birru reportedly responded that the sector could not remain closed forever. The Council reportedly concluded that the GOE should seek the maximum transition period under WTO rules before allowing foreign financial institutions to operate in

Ethiopia. The Council similarly concluded that the GOE should try to retain the right to maintain high Customs duties for as long as possible. The Council of Ministers reportedly gave its approval to submit the MFTR to the WTO Secretariat November 10, 2006, though several more weeks were

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required to scrub the final draft. The document was finally sent to Geneva Dec. 22.

ROAD MAP TO WTO ACCESSION

15. (U) Current estimates by the World Bank (WB) envision Ethiopian accession by 2009. However, the pace of the accession process depends on both internal and external factors that are difficult to project:

-- Translation of the MFTR by the WTO Secretariat in Geneva into the three working languages of the WTO (English, French and Spanish) may take between 30-90 days.

-- Working on Questions and Answers: WTO members participating in the Working Party meetings will generate hundreds of questions. Subsequent to the first round of Working Party questions, ACC documents must be prepared, providing details on the agricultural and service sectors, sanitary and phyto-sanitary standards (SPS), technical barriers to trade (TBT), and intellectual property rights (TRIPS) policies. The WB Road map study allocates approximately six months for this process.

-- Legislative Action Plan: USAID, in cooperation with the Ministry of Justice, expects to prepare a legislative action plan, outlining the legislative work program underway, as well as target dates for completion, in early 2007. New legislation on both trademarks and Customs has been drafted and is currently under review by the relevant ministries. Updates of the plan will occur as Ethiopia becomes aware of

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laws and regulations necessary to reach compliance.

-- Convening of the Working Party Meeting in Geneva: A presentation by GOE officials to WTO members will likely generate concerns about Ethiopia's trade regime that will have to be addressed in follow-up meetings. The WB Road map assumes the first Working Party meeting occur in mid-2007.

-- Stakeholder Consultation: Dialogue among the relevant stakeholders, including Parliament, regional officials, the business community and civil society, is important to assess the possible impact of WTO accession. In May 2006, USAID presented information on WTO laws and practices to the Trade and Industry Committee Members of the Parliament. Beginning in September 2006, USAID implemented WTO awareness workshops in Ethiopia's major regional hubs, targeting academia, the public sector and particularly the private sector. Additional regional workshops, as well as industry-specific workshops with key individuals from major exporting sectors, are planned for 2007.

-- Capacity-Building: Over the coming year, USAID must strengthen the analytical and negotiating capacity of members of the national technical committee for WTO accession, while urging the GOE not to introduce laws inconsistent with the WTO after the MFTR is submitted. A study tour for selected Ethiopian officials to a current or formerly acceding developing country will address concerns that may arise during the accession process.

-- Initial Offer and Bilateral Negotiations: Concurrent with the multilateral Working Party process, the GOE, through its designated chief negotiator, will be preparing an offer to enhance market access for foreign goods and services by reducing tariffs and other barriers, and committing to allow

foreign service providers to operate in new sectors. The GOE's initial offer could be prepared during 2007, and bilateral negotiations could begin by the of the year, continuing through 2008.

-- Conclusion and Accession: Following the successful completion of bilateral and multilateral negotiations on commitments, as well as on how Ethiopia harmonizes its trade regime with WTO obligations, the terms of the agreement must be approved by WTO's General Council and then ratified by the GOE.

USAID'S WTO ACCESSION PROJECT

15. Begun in 2005, the USAID Doha WTO Accession Project focuses on assisting Ethiopia with the critical legal and regulatory aspects of WTO accession by promoting Ethiopia's compliance with WTO rules; outreach to build public- and private-sector support for accession; and building the Ethiopian government's capacity to effectively analyze trade policy measures. The Doha Project's priority continues to be assisting the GOE in WTO-related internal reform: identifying laws and regulations that must be brought into compliance, and identifying potential questions/issues that the working party group may raise. To date, the Doha Project has submitted policy memos to the Ministry of Trade and Industry (MOTI) regarding Ethiopia's import licensing regime, export ban of hides and skins, import ban of used clothing, intellectual property rights protection and customs law, and is finalizing work on foreign exchange and trading rights. These memos have already prompted new draft legislation on both customs and intellectual property rights. Work began in December on Ethiopia's import bans on ethyl and denatured alcohol, on opiate and narcotic drugs, and on organic fertilizer and soil.

16. The Doha Project frequently engages members of the technical committee, advisory committees and other interested stakeholders at the grassroots level. It has so far trained approximately 375 key civil servants, Parliamentarians, members of the private sector and civil society. Members of the Doha Team have addressed law school classes at both the federal and regional levels. In partnership with the WTO Affairs Department at MOTI and the Ethiopian Chamber of Commerce, the Doha Project is currently sponsoring WTO awareness workshops in Ethiopia's major regional hubs. In September, 70 members of academia, the public sector and the private sector participated in the project's first regional workshop in Bahir Dar. A November workshop reached a similar group in Awassa; additional workshops are planned next year

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17. The Doha project has provided the WTO technical working groups and the WTO Affairs Department in MOTI with materials regarding WTO rules, analytical indices, explanatory notes, articles and WTO cases. Coordination will extend to the lawyers in the ministries from which technical committee members were selected. Per the WB Road map study, a WTO Reference Center is under construction with research tools, computers and books. As regulations and directives of a number of Ethiopian ministries and agencies have not been published, a MOTI website is being designed to help MOTI comply with WTO transparency requirements.

COMMENT: WTO OFFERS FRAMEWORK FOR ECONOMIC REFORM DISCUSSION

18. (SBU) Ethiopia's accession process presents an opportunity for the USG to engage the GOE on a broad agenda of economic reform within the structured forum that the WTO engenders. This same opportunity for dialogue on reform constitutes the greatest incentive for local private sector leaders, many of whom are otherwise ambivalent about further opening

Ethiopia's economy. USAID technical assistance in the research and drafting significantly improved and expedited Ethiopia's MFTR; continued assistance from donors, including USAID, will be helpful in overcoming obstacles to Working Party discussions expected to begin by mid- to late-2007.
YAMAMOTO